

## The Long-Term Disability Plan

A major disability can have a significant impact on your life. It affects not only your health but also your personal finances, since everyday living expenses continue just as before even though you are no longer working.

If you enroll, PaineWebber's Long-Term Disability (LTD) Plan can ensure that you continue to have an income if you become unable to work for an extended period of time. The LTD Plan steps in when your short-term disability benefits end—after you have been totally unable to work for 180 consecutive days as the result of an illness or injury.

This booklet, called a Summary Plan Description or SPD, contains a description of the Long-Term Disability (LTD) Plan in effect as of January 1, 1999.

You should read this booklet carefully and keep it in a safe place. You should also let your spouse or beneficiary(ies) know where you keep this SPD.

This SPD is intended to describe in general terms the benefits you may be provided under the LTD Plan. The operation of the LTD Plan is governed by the LTD plan document under policy form LRS-6564 Ed. 2183 and other legal documents. The SPD does not determine rights under the LTD Plan but is intended only to summarize the important provisions of the LTD Plan. If there is any inconsistency between the SPD and the LTD Plan Document under policy form LRS-6564 Ed. 2183, the terms of the Plan Document will govern.

*Paine Webber Group Inc. reserves the right to suspend, amend or terminate the LTD Plan at any time. In the event of any such action, you will be notified of any changes that will affect you.*

The information in this SPD does not imply that the participation in the LTD Plan is a guarantee of continued employment or that the LTD Plan will exist or remain unchanged in the future.

00011

# How the Plan Works

## Joining the Plan

### Eligibility

You are eligible to participate in the Basic LTD Plan if you are an active full-time employee or if you are an active part-time locked-in employee working a schedule of at least 20 hours per week excluding temporary or seasonal employees. You will be eligible to join the Plan on your first day of active employment or the first day you become eligible.

### Enrollment

You may enroll in the Basic LTD Plan by filling out a Group Insurance Enrollment and Change Form and returning it to the Benefits Department. You can obtain a Group Insurance Enrollment and Change Form from the Benefits Department. Your participation begins the day you enroll, provided you enroll within 31 days of employment, or within 31 days after becoming eligible. If you apply for coverage more than 31 days after you first become eligible, you will be required to provide evidence of good health at your own expense that is satisfactory to the insurance carrier. Monthly contributions are made on an after-tax basis and any benefits you receive from the carrier will be tax-free.

## When Participation Ends

Coverage under the Basic Long-Term Disability Plan will end if any of the following occur:

- You change your status to a group that is not eligible for the Plan;
- You cease to make the required premiums;
- You enter military service (not including Reserve or National Guard);
- The policy terminates;
- Termination of employment with the Firm;
- Retirement; or
- Death.

## Definition of Disability

"Totally Disabled" and "Total Disability" mean, that as a result of an injury or illness, you cannot perform each and every material duty of your regular occupation for the first two years of your disability. After two years, you must be unable to perform the material duties of any occupation for which you are reasonably suited.

*You may be requested to undergo periodic medical examinations to verify that your disability is and has been continuous.*

### **Amount of LTD Benefits**

If you are enrolled in the Plan and become Totally Disabled, as defined in the Plan, the Plan will pay a monthly benefit equal to 60% of the average of your prior three years' Benefits Base Salary (BBS). Your BBS is defined as your W-2 wages plus any before-tax reductions from your paychecks (including before-tax contributions to the 401(k) Plus Plan, medical and dental premiums, deferrals to PartnerPlus and IAP contributions) less any non-cash compensation (such as restricted stock) and certain other types of non-recurring compensation (including exercise of stock options, prizes and awards, and payments from PartnerPlus).

In calculating your prior three years' average earnings, only a maximum of \$250,000 will be considered.

The minimum monthly LTD benefit payable to you is \$50. The maximum monthly LTD benefit is \$12,500. It is important to note that LTD benefits will be further reduced by any disability income you are eligible to receive from other sources.

### **How LTD Benefits Coordinate with Other Sources of Disability Income**

In some cases, disability benefits may be available from other sources. If so, your LTD benefits will be reduced by the amount you receive from any of the following sources:

- Disability benefits you are eligible to receive under any separate or group insurance plans;
- Disability benefits you and your dependents are eligible to receive under any governmental retirement system, except benefits payable under a federal government employee pension benefit;
- Disability benefits you are eligible to receive under:
  - (a) Worker's Compensation laws;
  - (b) Occupational disease law;
  - (c) Any other laws of like intent in (a) or (b) above; and
  - (d) Any compulsory benefit law.
- Any of the following that you are entitled to receive from PaineWebber:
  - (a) Wages or other compensation, excluding the amount allowable as the Rehabilitative benefits; and
  - (b) Commissions or monies, including vested renewal commissions, but excluding commissions or monies that you earned prior to your total disability, which are paid after total disability has begun.
- Any benefits you elect to receive from the PaineWebber Pension Plan; and



- Disability or retirement benefits under the United States Social Security Act, the Canadian pension plan, federal or provincial plans, or any similar law which:
  - (a) You are eligible to receive because of your total disability or eligibility for retirement benefits; and
  - (b) Your dependents are eligible to receive due to your total disability or eligibility for retirement benefits.

*Note: Benefits received from other sources may be subject to taxes. (For example, Social Security disability benefits may be a taxable event depending on your earnings.)*

You must notify the insurance carrier and the Benefits Department of the date and amount of any benefits you receive, or are eligible to receive, from any of these sources. You also must notify the insurance carrier and the Benefits Department if there is a change in your disability income from any of these sources.

Once the insurance carrier receives a notice of payment amount from other sources of income, it will make any necessary adjustment for overpayments or underpayments of benefits previously paid. If an appropriate adjustment for an overpayment cannot be made, the insurance carrier has the right to ask you to repay the overpaid amount.

#### An Example

The following example illustrates the way PaineWebber's LTD Plan benefits would coordinate with another source of disability income. This example assumes your prior three years' BBS is \$50,000 per year, and that you would receive Social Security disability benefits of approximately \$8,000 per year.

	LTD Benefits Without Social Security	LTD Benefits With Social Security
Your Earnings	\$50,000	\$50,000
Percent of earnings replaced by LTD	x 60%	x 60%
Annual disability income	\$30,000	\$30,000
Annual income from Social Security	—	\$ 8,000
Annual LTD Benefits	\$30,000	\$22,000

00014

**A Note on Social Security Benefits**

Depending on your illness or injury, you may be eligible to receive disability benefits from Social Security. If eligible, Social Security disability benefits generally become available after you have been totally disabled for five consecutive calendar months. The insurance carrier assumes you are eligible for these benefits and deducts an estimated Social Security benefit amount from your Plan benefit. It is important that you provide proof to the insurance carrier of whether you are or are not eligible for these benefits.

If your dependents are also eligible for Social Security benefits, the total of your LTD Plan benefits, income from other sources, your dependent's Social Security benefits, and your own Social Security Benefits will be limited to 60% of your pre-disability pay as defined in the Plan.

Your LTD Plan benefits will not be affected by any legislated increases in the Social Security benefits you or your dependents receive after your LTD benefit is initially determined. However, if there is a change in the number of your dependents which affects your Social Security benefits, your LTD benefits will be recalculated to reflect this change. For example, if your dependent child receives Social Security payments due to your disability and then reaches the age limit for these benefits, these payments will stop. The insurance carrier will then adjust your benefit accordingly. It is your responsibility to notify the insurance carrier of any such changes in your Social Security disability benefits.

00015



## Receiving Plan Benefits

### When Payment Begins

The LTD Plan benefits begin after you have been Totally Disabled for 180 consecutive days. If you have been with PaineWebber for at least one year, you will receive short-term disability benefits during this six-month waiting period. If you have been with PaineWebber for less than one year, your LTD benefits will begin after you have satisfied the 180 day elimination period. Before payment of LTD benefits can begin, you are required to provide the insurance carrier with satisfactory proof of your Total Disability.

The elimination period is a period of 180 consecutive days of Total Disability for which no LTD benefit is payable. It begins on the first day of Total Disability. If, during the elimination period, you return to active work for less than 90 days, then the same or related Total Disability will be treated as continuous. Days that you are actively at work during this interruption period will not count towards the elimination period.

### When Payment of LTD Benefits Ends

61 or less	To normal retirement age (see below)
62	3½
63	3
64	2½
65	2
66	1½
67	1½
68	1½
69 or more	1
1937 or before	65 years
1938	65 years and 2 months
1939	65 years and 4 months
1940	65 years and 6 months
1941	65 years and 8 months
1942	65 years and 10 months
1943 through 1954	66 years
1955	66 years and 2 months
1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and after	67 years

The maximum time period for which you can receive LTD benefits is generally determined by your age at the time you become disabled. Benefits will not be paid beyond the longer of duration of benefits (shown in the chart top left) or your normal retirement age (specified below left).

Normal retirement age is defined by the 1983 Amendments to the United States Social Security Act and is determined by your year of birth, as follows (below left).

However, benefits will end immediately—regardless of your age—if you:

- Return to active, full-time work at PaineWebber or elsewhere;
- Earn wages or salary at a job that is not part of an approved rehabilitation program;
- Are no longer totally disabled under the provisions of the LTD Plan as determined by the insurance carrier;
- Attain normal retirement age other than specified on page 14;
- Retire early and begin receiving payments from the PaineWebber Pension Plan that equal or exceed your LTD benefit;
- Do not provide satisfactory medical evidence of your disability or refuse to undergo a medical examination;
- Refuse to obtain and follow medical advice or refuse treatment that is recommended by competent medical authority; or
- Die.

### **Making a Claim**

If you expect your disability to last longer than the 180 consecutive day elimination period, contact the Benefits Department at 201-352-4444 to obtain claim materials for LTD benefits. The completed claim materials should be returned to the Benefits Department at the following address:

PaineWebber Incorporated  
Benefits Department  
1000 Harbor Boulevard—10th Floor  
Weehawken, New Jersey 07087

Claim materials will then be sent to the insurance carrier for review and determination. Final determination is made by the insurance carrier.

If your claim for benefits is approved by the insurance carrier, the insurance carrier will periodically ask you for proof of continued Total Disability. In this case, the insurance carrier will send you the required forms for completion.



### Special Situations

Your LTD benefit may be affected by one or more of the following situations:

- **Rehabilitation Benefits.** While recovering from your disability, you may participate in a vocational rehabilitation program approved by the insurance carrier. If you participate in rehabilitative employment and receive pay, you will continue to receive your monthly LTD benefit less 50% of any money received from this rehabilitative employment. If you are entitled to substance abuse benefits, rehabilitative employment benefits will not be available for Total Disability as a result of such a substance abuse.
- **Work Incentive Benefit.** During the first 24 months of LTD benefits, if you have accepted rehabilitative employment, your monthly benefit will not be offset by any earnings you receive from that rehabilitative employment, unless your monthly LTD benefit (prior to reductions from other sources) and rehabilitative employment earnings would exceed 100% of your pre-disability covered monthly earnings.
- **Recurring Disabilities.** If you receive LTD benefits, are able to return to active work, and then become disabled again due to the same or a related cause within six months, LTD Plan benefits will resume immediately. In this case, you will not be eligible for benefits under PaineWebber's Short-Term Disability Plan.

If you return to your regular occupation and become disabled again due to the same or a related cause after you have been back to work for six months or longer, you will have to complete a new 180 consecutive day waiting period before LTD benefits can begin again. The same rule applies if you become disabled at any time due to a different cause. In either case, you may be eligible for benefits from PaineWebber's Short-Term Disability Plan during the 180 consecutive day waiting period.

### When Benefits are Not Paid

Some disabilities are not covered under the LTD Plan. These include disabilities resulting from:

- Intentionally self-inflicted injury;
- Committing or attempting to commit a felony;
- An injury or illness that occurs while you are confined in any penal or correctional institution; and
- Acts of war, declared or undeclared.

00018



### Limitations to Benefits

- **Mental or Nervous Disorders.** Monthly benefits for total disability due to mental or nervous disorders will not be payable for more than 24 months unless you are in a hospital or institution at the end of the 24-month period. The monthly LTD benefit will be payable while confined, but not beyond the maximum duration of benefits.
- **Substance Abuse.** Monthly benefits for total disability due to alcoholism or drug addiction will be payable while you are a participant in a substance abuse rehabilitation program. The monthly benefits will not be payable beyond 24 months.
- **Pre-Existing Conditions.** Benefits will not be paid for a total disability: (1) caused by; (2) contributed to by; or (3) resulting from a pre-existing condition unless you have been actively at work for one full day following the end of 12 consecutive months from the date you first become covered under the policy. A pre-existing condition means any illness or injury for which you received medical treatment, consultation, care, or services, including diagnostic procedures, or took prescribed drugs or medicines, during the three months immediately prior to the effective date of your LTD coverage.

## How Disability Affects Your Other Benefits

### Your Status During Disability

For the first 24 months during which you receive benefits under the LTD Plan, you are on a "leave of absence" from PaineWebber. After 24 months on LTD, your employment status with PaineWebber is automatically terminated.

### Status of Your Benefits While You Are Disabled

- As long as contributions are made directly to the billing administrator, Benefits Billing Service, coverage continues for the first 24 months during which you receive benefits under the LTD Plan.
- After 24 months, you may be eligible for continuation of medical and dental coverage under COBRA, as explained in the Medical and Dental sections of the PaineWebber Summary Plan Description.

- If you no longer receive earnings or short-term disability benefits from PaineWebber, you are no longer eligible to make before-tax contributions.
- To receive Health Care Account reimbursement after the end of that month, you must contribute to the Plan on an after-tax basis through COBRA.
- Dependent Care Account reimbursement can continue for expenses incurred through the end of the calendar year in which your contributions stop.
- Health Care Account reimbursement can continue for eligible expenses incurred through the end of the month in which your last contribution was made.

### Basic Life Insurance Plan

- Your pre-disability coverage continues until age 65. Then:
  - If you have ten years of pre-disability service, coverage is reduced to \$5,000 and continues until your death. At age 65, you may convert the difference between \$5,000 and your pre-65 coverage to an individual whole life policy within 31 days of your 65th birthday.
  - If you don't have ten years of pre-disability service, coverage ends at age 65 and you may convert coverage to an individual whole life policy within 31 days from the commencement of your LTD.



However, the terms of other benefit programs as well as the employment policies of PaineWebber do not necessarily coincide in their effective dates with your LTD benefits. The following chart is provided as a convenient outline of how these other benefit programs may impact an LTD claimant. Please refer to the full descriptions of these programs for more information.

		Retirement Plan
<ul style="list-style-type: none"> <li>As long as contributions are made directly to the billing administrator, coverage continues for the first 24 months, during which you receive benefits under the LTD Plan.</li> <li>After 24 months, you are eligible to convert to a whole life policy through the insurance carrier.</li> </ul>	<ul style="list-style-type: none"> <li>You become 100% vested in any PaineWebber matching and retirement contributions in your 401(k) Plus account when you begin to receive LTD benefits.</li> <li>You will receive a PaineWebber matching contribution for the year in which you begin to receive LTD benefits, based on your contribution during that year.</li> <li>You will receive a Retirement Contribution for the year in which you begin to receive LTD benefits.</li> </ul>	<ul style="list-style-type: none"> <li>If you have ten years of service when you reach age 55, you can elect to receive an early retirement benefit. Your LTD benefit payments will be reduced by this benefit.</li> </ul> <p><b>Grandfathering Population Only:</b></p> <p>(age 55 and 10 years of service, or 65 with over 1 year of service and elected to be grandfathered).</p>
<ul style="list-style-type: none"> <li>Coverage ends on the first day of Long-Term Disability.</li> </ul>	<ul style="list-style-type: none"> <li>If your account balance is more than \$5,000, you may elect to keep your money in the account until age 65. If your account balance is \$5,000 or less you must receive a distribution of your entire account balance. Benefits Connection will notify you of your distribution options.</li> <li>If you withdraw money from your account before age 59½, the 10% IRS penalty will be waived.</li> <li>You may continue to request account transactions through Benefits Connection at 1-888-793-2237.</li> </ul>	<ul style="list-style-type: none"> <li>Pension Plan participation continues while you receive LTD benefits. In most cases you will continue to earn service for both vesting and benefit purposes.</li> <li>If you don't return to work before you retire, your retirement benefits will be calculated based on your earnings before you became disabled.</li> </ul>

00021

### Your Rights as a Plan Participant

If you or your beneficiary(ies) files a claim for benefits under the Long-Term Disability Plan and the claim is denied, you or your beneficiary can appeal the denial. For further information about filing or appealing a claim and your rights as a Plan participant, please refer to the *Legal and Administrative Overview* booklet.

00022